

Watch Your Step: The Potentially Perilous Route to BPM

By Craig Schiff | October 2008

Many companies have achieved great results by rolling out performance management software. But to emulate those successes, today's implementers need to take proactive steps to learn from early adopters' experience.

Business Performance Management (BPM) has been around long enough that it is often viewed as a proven discipline. Companies of all sizes, and in many industries, have indeed gained a competitive advantage by using BPM technologies to improve decisions enterprisewide. Many additional companies, seeing those results, are now moving forward with BPM engagements. Some are risk-averse and waited to see demonstrable success before jumping in. Others were preoccupied with updating underlying transactional systems before getting started with BPM. Either way, these mainstream adopters expect to achieve results similar to the companies that went before them. Some are basing BPM decisions on erroneous assumptions — and they may be heading toward an expensive performance management failure.

The success of BPM's forerunners gives today's adopters a false sense of security. Many feel the companies already running performance management software have worked out the kinks with these technologies. Some are following BPM pioneers like lemmings, thinking implementation is now easy and risk-free. What they don't realize is that early adopters did their homework, engaged experts, and learned a lot along the way. They succeeded because of the close attention they paid to potential pitfalls in the vendor selection and implementation processes.

The challenges in implementing BPM software remain much the same today as five years ago. It is still very easy to select the wrong vendor for your needs. As a matter of fact, it is probably even easier today, considering the huge marketing budgets of the major players. The fact that a handful of large vendors dominate the space leads countless performance management purchasers to think they don't need to do research. They start out on an initiative incorrectly believing they can't go wrong by picking one of the Big Three.

Another challenge that early successes haven't eliminated is figuring out what, exactly, a BPM system should measure. A company setting out to implement performance management technologies must determine the key drivers of its business, then figure out how to gauge performance relative to those drivers and how to disseminate that information to the people who need it. This exercise is crucial to BPM success, and it's something an organization must put substantial energy into. No matter how sophisticated a software package is, it's not going to come populated with all the right metrics for a given company. In addition, many users continue to resist moving to a new system, especially one that sheds a bright light on their performance. Putting in BPM software is very different from installing most back-office systems. Not only is the typical performance management system utilized by senior executives, but it also can impact how people are compensated. Companies need to carefully address what the system will measure, along with what impact it might have on corporate culture. These, and the related change management concerns, are unique elements in a performance management project — elements that may be overlooked by a company that moves forward without doing its homework.

BPM becomes somewhat easier when implementers leverage the knowledge of their predecessors; at least they can be aware of potential pitfalls in advance. But today many companies rush off on their own to try to catch up with competitors that are already running BPM. Expert guidance can alleviate much confusion in the purchase and implementation of performance management software.

Confusion Over the Vendor Lineup

There is no question that the mergers and acquisitions of last year created a handful of large, capable BPM solution providers. The real question, though, is: Are the big guys right for everybody? The simple answer is no. The cost and complexity that come with the leading performance management packages are considerably greater than some companies need. There are still smaller vendors that focus on specific verticals or market segments, or that provide robust capabilities in a specific area of BPM. Businesses of any size might find that a particular small vendor is the best fit for their unique needs.

Even if a company decides, after doing its research, to go with one of the large vendors, it still needs to decide which one. The Big Three are not identical in functionality, technology, performance, or price. This is where some implementers forget the basics. The total cost of purchase and deployment of a BPM system — including software, consulting, training, hardware, and internal resources — can reach into the millions of dollars. Plus, a BPM application is likely to stay in place, performing a critical corporate function, for five to seven years. Selecting the wrong system is a high-visibility mistake.

The correct way to approach a BPM purchase is simple: Develop your requirements. Survey the vendor landscape to establish a short list of candidates. Evaluate and score each finalist, and its customized proof of concepts, against your prioritized requirements. Then, and only then, select the vendor that is the best fit.

A vendor-neutral consulting firm can streamline the software selection decision. After that decision is made, a consulting firm that specializes in implementing the selected solution can help fast-track deployment and ensure the implementing company fully utilizes all of the product's relevant functionality.

Missteps Related to People and Processes

A performance management initiative requires more attention to the company's people and processes than many other types of software implementation. Unlike order entry or service desk automation systems, BPM technologies can be transformational. This potential impact makes performance management software a political hot potato. What the system measures is key to the organization's ability to achieve its overall strategy — but since individual compensation may eventually tie back to the BPM system, everyone wants a say in what it measures. Many companies struggle with determining which performance metrics to use in dashboards. Just using key ratios from existing reports isn't usually a good solution. The company needs to start with a solid and well-understood strategy. Then a cross-departmental team should develop key performance indicators (KPIs) that tie to key drivers involved in executing on that strategy. Finally, the company should develop dashboards that support and link back to companywide metrics.

It's also critical for the financial processes that a BPM system automates to be 100 percent accurate, as well as auditable. A company considering a performance management software installation should evaluate its budgeting, forecasting, and monthly close processes. It can't expect the new system to introduce every necessary change. Performance management processes need to be optimized and standardized prior to the implementation of BPM software.

Finally, a new performance management system enables more data to be shared with more people than ever before. Data management requires management of the impacts of that data. In some quarters, the light a BPM system sheds on performance may not be welcome.

For all of these reasons, BPM should not be treated like just another enterprise software system; it should not follow the standard corporate procurement and deployment processes. Internal project managers must consider the unique people and process elements of performance management. Some businesses may be most comfortable confronting these issues with the help of external experts.

The Consulting Field

Consultants can bring to a project both best practices and knowledge gained by organizations that have already implemented BPM. But even hiring the right consultant requires homework. In the realm of business performance management, four distinct types of consultants can add value to a project:

Strategy consultants

A business revisiting its strategy before devising KPIs may benefit from the help of a strategy consulting firm. These consultants typically are very senior and have direct business management experience. They help clients create, revise, and clarify their corporate strategy.

Since the goal of BPM is to better execute on strategy, an up-to-date strategy is essential prior to the launch of the BPM initiative. Be aware that consultants within this category may differ by the methodologies they employ, such as the Balanced Scorecard, Total Quality Management (TQM), or Six Sigma. Strategy consulting firms may also be able to assist with the change management that should accompany a BPM deployment.

Financial process consultants

With their strong accounting background, financial process consultants can help a company get its financial house in order before it launches the BPM software-selection process. These consultants review clients' internal processes and controls for efficiency, auditability, and transparency. Although performance management systems automate these processes, it is very beneficial to optimize them prior to implementing a new system. Software cannot fix a broken process. Financial process consultants typically work on clients' budgeting process; monthly close; and financial analysis activities, such as profitability optimization. In addition, they can play an important role in assisting with governance, risk, and compliance processes.

BPM initiative management consultants

A firm that specializes in the management of BPM initiatives can walk clients through the entire process, making sure they address all key challenges, helping with vendor selection, and facilitating the development of KPIs based on the organization's existing strategy. Because they combine business and technology expertise specific to BPM, these consultants can help streamline a performance management initiative and minimize the risk for the entire project. They bring to the table tools, methodologies, best practices, and expertise, so they can help clients create a BPM road map, define requirements, select the optimal solution, and avoid certain known pitfalls in deployment. These consultants can also assist with developing a business case for BPM.

Implementation consultants

These consultants are the people who can best customize a selected technology solution to meet a certain organization's needs. They usually have deep expertise in one or two vendors' offerings and know all the tricks and work-arounds for those solutions. The best of these consultants generally have experience working directly for the vendor whose systems they now implement. More firms fit into this category than any other for two main reasons: First, there are many different products to specialize in, and second, many companies purchasing BPM want their implementation consulting firm to be local. Some implementation consulting firms are authorized to resell the products they advise on, which can reduce the number of salespeople and contracts a client must deal with.

The idea of employing a single consulting firm for all aspects of a BPM project is appealing, but it is generally unrealistic to expect a single firm to be expert in all these areas. Some of the largest firms, which have thousands of consultants, do have many specialized practices. Still, even with such a deep resource pool, they tend to focus most of their BPM efforts (and earn most of their revenues) on one facet of performance management consulting. This means that in another area of BPM consulting they may have shallower knowledge, experience, and resources than a firm that is dedicated to that area.

Some BPM purchasers choose to use an implementation firm for the whole project because the firm is local or because its rates are low. The problem with this approach is that the same depth of knowledge and partner relationships that lead to a successful technology implementation can cause problems in other phases of the initiative. Are firms in which the bulk of revenues comes from implementing a particular product completely unbiased in defining a client's needs and helping it select a solution? And if an implementation firm actually is unbiased in its software selection consulting, what are the chances that it will be an expert implementer of the solution a particular client ultimately selects? The implementation process requires highly specialized skills in a specific solution, but broader and more strategic industry knowledge is vital up until the moment implementation begins.

Consultants aren't necessary at every stage of a BPM initiative. But a company should consider outside help for those areas of the project that it feels are the most critical or most challenging for it, in particular. (For help deciding which areas of your project require external help, see *When It Is Imperative To Use Consultants* on page 23). Once a company has decided which areas of its BPM initiative require consulting help, it must select the right consulting partner to make its project successful.

The Selection Criteria

In any consulting engagement, finding a firm with knowledge of your industry is nice, but vertical expertise is vital for a strategy consulting firm. Since these consultants are going to help you tune your business strategy, they must bring industry-specific best practices to the table and have a sense of what your competitors are up to. It is also beneficial for financial process consultants to be experienced in your industry. If, for example, there are specific government-mandated reporting requirements unique to your vertical market, financial process consultants should know them. For other performance management consulting engagements, it is more critical for the consultants to have expertise in BPM. That is what you are hiring them for, after all, and you can provide the industry expertise — and, more specifically, knowledge about your company's unique business practices. If the implementation or BPM project management consultant you hire is an industry expert but is weak in BPM, then two of you will know your industry but no one will have insight into best practices in performance management.

Location is another factor to consider. For strategy, financial process, and management advisory firms, select the most seasoned experts you can find. They are unlikely to reside nearby, but these consultants don't have to be local. Non-implementation consultants do not live at your site for months, nor do you hire a busload of them — usually one or two senior experts are assigned to a given project. Implementation firms, on the other hand, usually deploy a team and spend lots of time on site. Finding a local implementation firm can be highly desirable. Another benefit of going local is that once the system is live, if something goes wrong during a close or you need help with an urgent change, having the original implementers nearby can come in quite handy.

BPM is already paying huge dividends for many companies around the world. If you move forward with your eyes open and take advantage of available knowledge and expertise, your business should soon be able to join them.

When It Is Imperative To Use Consultants

Consultants can be helpful throughout a BPM project. However, if your company finds itself in any of the following situations, you may find consultants indispensable.

IF YOUR COMPANY ...	THEN YOU SHOULD UTILIZE ...
Has had less-than-stellar results with prior BPM related projects, or is simply risk-averse	BPM initiative management consultants
Does not have a well-defined set of corporate goals and objectives	Strategy consultants
Has inefficient, antiquated, or nontransparent financial processes	Financial process consultants
Lacks available senior resources with both business and technology expertise to oversee the project	BPM initiative management consultants
Has a tight time frame or limited availability of midlevel finance and IT resources to customize the product	Implementation consultants
Needs to improve its governance, risk, and compliance efforts	Financial process consultants
Has a culture that is not ready for performance management	Strategy consultants
Has a BPM system in place that is not performing up to expectations	Implementation consultants to fine-tune and optimize, or BPM initiative management consultants to replace

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